

VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

October 28, 2020 – 11:00 a.m.

Please note all members participated via telephone, video, or teleconference:

VMERS Members present:

MAURA CARROLL, Chairperson, Employer Representative (term expiring July 1, 2022)

KIMBERLY GLEASON, Vice-Chair, Employer Representative (term expiring July 1, 2020)

BETH PEARCE, Vermont State Treasurer

MORGAN DAYBELL, Employee Representative (term expiring July 1, 2024)

CHRISTOPHER DUBE, Employee Representative (term expiring July 1, 2022)

Also attending:

Erika Wolffing, Director of Retirement Operations

Tim Duggan, Assistant Attorney General

Lesley Campbell, Administrative Services Coordinator IV

Eric Henry, Chief Investments Officer

Katie Green, Deputy Chief Investments Officer

Will Kriewald, Chief Financial Officer

Kathy Riley, Segal Consulting

Matthew Strom, Segal Consulting

Patryk Tabernacki, Segal Consulting

Ms. Carroll called the Wednesday, October 28, 2020 Board Meeting to order at 11:01 a.m. which was held by conference call.

ITEM 1: Agenda approval and announcements

On a motion made by Ms. Pearce, seconded by Mr. Daybell, the Board voted unanimously to approve the agenda.

ITEM 2: Approve the minutes of:

- **September 24, 2020 – VMERS Experience Study**
- **September 24, 2020 – Joint Meeting with VPIC, VSERS, VMERS & VSTRS**

On a motion made by Mr. Dube, seconded by Mr. Daybell, the Board voted unanimously to approve the minutes of the VMERS Experience Study Meeting on September 24, 2020 as submitted.

On a motion made by Ms. Pearce, seconded by Mr. Dube, the Board voted unanimously to approve the minutes of the Joint Meeting with VPIC, VSERS, VMERS & VSTRS on September 24, 2020 as submitted.

ITEM 3: VMERS 2020 Actuarial Valuation

Mr. Strom presented the 2020 VMERS Actuarial Valuation after opening remarks from Ms. Riley. Mr. Strom explained the census data as of June 30, 2020 used to develop the report. As of the end of the fiscal year, there were 7,987 active members, 4,620 total non-actives for a ratio of non-actives to actives of 0.58 meaning that approximately for every non active member there are two active members. Active members had an average age of 47.9 years, 8.3 average years of service, and average payroll of \$41,003. As of June 30, 2020 there were 2,941 inactive members and 927 deferred members. There were 3,435 retired members and 258 beneficiaries receiving total monthly benefits of \$3,227,813 with an average monthly benefit of \$874.

Mr. Strom explained the financial information in the report, employer and member contributions have exceeded benefits since the time period shown (2011). Mr. Strom explained how the value of assets are smoothed over a 5-year period. As of the end of the fiscal year the actuarial value of assets was \$761,505,976 with about \$21 million in net losses deferred for future recognition. Mr. Strom explained how the asset value is allocated to the individual groups in the plan.

Mr. Strom presented the actuarial experience of the plan over the past year. There was a \$11 million in losses from investment return and a net loss of \$9 million from other experience leading to a total loss to the plan of \$20.96 million or approximately 1% of the actuarial accrued liability. The market value of assets was 4.24% for the year compared to an assumed rate of return of 7.50%. The actual rate of return on an actuarial basis for 2020 was 5.93% resulting in the loss of \$11 million. Mr. Strom explained the other experience contributing to the loss to the plan including net turnover, retirement, mortality, and disability retirement. There was a gain from salary and service increases for actives and COLA experience.

Mr. Strom explained the development of the unfunded actuarial accrued liability which was \$243,054,058 as of the end of the year. The actuarially determined contribution consists of the normal cost and the payment on the unfunded liability. The employer normal cost was approximately \$17.8 million and the payment on the unfunded liability was \$18.9 million for a actuarially determined contribution requirement of \$36.7 million or 10.671% of payroll. Mr. Strom presented the comparison of the actuarially determined contribution to the current funding policy rates by group, and in total there was a contribution shortfall of 4.526%.

Ms. Riley explained the history of the employer contributions since 2012, the actual employer contribution exceeded the actuarially determined contribution. Ms. Riley explained that the increase in the ADC this year is largely due to assumption changes and moving entry age normal. The funded percentage has remained relatively flat and the total of current and future assets as of June 30, 2020 was \$1,277,784,019. Ms. Riley explained the risk sections of the report including investment, longevity and demographic risk.

On a motion made by Ms. Gleason, seconded by Ms. Pearce, the Board voted unanimously to accept the 2020 VMERS Actuarial Valuation as presented by Segal Consulting.

ITEM 4: Other Business

None.

ITEM 5: Adjournment

On a motion made by Ms. Gleason, seconded by Mr. Dube, the Board voted unanimously to adjourn at 12:11 p.m.

Next Meeting Date:

The next scheduled VMERS meeting is Tuesday, November 17, 2020 at 11:00 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Erika Wolfing".

Erika Wolfing
Director Retirement Operations